

EXHIBIT 715

Independent Contractor...the basics

- IRS & California State laws determine if a person is an independent contractor or an employee...not written agreements.
- Workers are employees, unless the company can prove otherwise.
- If it looks like a duck....

James Palmer
The Palmer Adventures, Inc.
408-552-3499
jpalmer@palmeradventures.com

Independent Contractor - 20 ?'s

- 1 - No Instructions
- 2 - No Training
- 3 - Services don't have to be personally rendered.
- 4 - Work not essential to hiring firm
- 5 - Own work hours
- 6 - Not a continuing relationship
- 7 - Control over own assistants
- 8 - Time to pursue other work
- 9 - Job Location
- 10 - Order of work set
- 11 - No interim reports
- 12 - Payment timing
- 13 - Working for multiple firms
- 14 - Business expenses
- 15 - Own tools
- 16 - Significant investment
- 17 - Services available to general public
- 18 - Possible profit or loss
- 19 - Limited right to discharge
- 20 - No compensation for non completion

James Palmer
The Palmer Adventures, Inc.
408-552-3499
jpalmer@palmeradventures.com

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EXHIBIT 715
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Gina V. Carbone, CSR

Types of Job Evaluation Systems

- **Qualitative**
 - Ranking
 - Classification
 - Maturity or Experience Curve
 - Market Pricing
- **Quantitative**
 - Factor Comparison-Point Factor
 - Multiple Regression Analysis

James Palmer
The Palmer Advantage, Inc.
jpalmer@palmeradv.com

3 Major Phases of Pay Setting

- **Identify Hierarchy of Jobs by Worth**
- **Investigate Marketplace**
- **Combine Job Worth Data & Marketplace**

James Palmer
The Palmer Advantage, Inc.
jpalmer@palmeradv.com

Survey Data: Buy or Do Your Own?

- Depends on type and amount of data needed.
- Can it be bought?

James Palmer
The Palmer Advertising, Inc.
400-200-3200
jpalmer@charter.net

Doing your own survey...

- Need letter of transmittal, instructions and survey
- Get a personal introduction, if possible
- Stress mutual need—reward participants
- Assure confidentiality
- Be clear and precise in what you want—you get only one shot—assume you cannot go back!

James Palmer
The Palmer Advertising, Inc.
400-200-3200
jpalmer@charter.net

**Considerations...
Determine the Scope of the Survey**

• Your Organization

- All jobs
- Exempt/non-exempt
- Specific functional groups
- Specific skills/occupations
- Problem areas

• Market Comparability

- Geographic
- Industry specific
- Competitors
- Who you hire from
- Where your employees go
- size of company
- \$ volume of company
- Division/corporate

James Palmer
The Palmer Approach, Inc.
408-262-5000
jpalmer@comcast.net

Data Collection Techniques

- Telephone
- Mailed Questionnaire
- Face-to-Face Interview
- Conference

James Palmer
The Palmer Approach, Inc.
408-262-5000
jpalmer@comcast.net

Exercise A

The CEO is considering installing a sabbatical. He/she wants to know what other companies in your industry provide and who, if any of them, provide sabbaticals and how they work?

Would you buy the data or do your own survey?

If you do your own, what factors would be important in determining the scope of the survey? What data collection techniques would you use?

James Palmer
The Paycor Advantage, Inc.
800-323-3300
jpalmer@theadvantage.com

Exercise B

The CEO feels that the non-exempt ranges are out of alignment with industry. He/she wants you to do a complete analysis of all of the non-exempt salaries.

Would you buy the data or do your own survey?

If you do your own, what factors would be important in determining the scope of the survey? What data collection techniques would you use?

James Palmer
The Paycor Advantage, Inc.
800-323-3300
jpalmer@theadvantage.com

Exercise C

The CEO wants a complete analysis of the executive team's total compensation package (salary, bonus, equity, etc.). He is concerned that the company might be at risk of losing key executive talent to its competitors.

Would you buy the data or do your own survey?

If you do your own, what factors would be important in determining the scope of the survey? What data collection techniques would you use?

James Palmer
DataPalmerAdvisors, Inc.
609-221-0400
jpalmer@palmeradvisors.com

Survey Data: What can be bought?

- AEA Questionable
- AON/Radford Associates
- ECS/Wyatt
- Mercer
- Croner Internet
- Culpepper Software
- Chips Large cap > 100 mil.
- Advanced HR Pre-IPD
- IQuantic Stock/Public
-

James Palmer
DataPalmerAdvisors, Inc.
609-221-0400
jpalmer@palmeradvisors.com

**Using Survey Data –
Terminology...**

- Mean
- Median
- Mode
- Simple Average (AEA=Co Wtd Avg)
- Weighted Average
- Aging – updating data
to current

Jessica Palmer
The Palmer Advertising, Inc.
407-545-0359
jpalmer@palmerad.com

Average of averages

**Exercise
Calculating Averages**

50 Inc \$9.50

11 Inc \$10.25

23 Inc \$11.10

85 Inc \$12.15

169

What Is the Simple Avg? 10.75

What Is the Weighted Avg? 11.10

.35

31.7%

Jessica Palmer
The Palmer Advertising, Inc.
407-545-0359
jpalmer@palmerad.com

Exercise

- Using the survey data provided, pull the "Market Price" you feel appropriate for creating salary ranges for this job family.

- Accounting Clerk I 21.6
 - Accounting Clerk II 24.1
 - Accounting Clerk III 27.9
 - Accountant I 31.7
 - Accountant II 34.3
 - Accountant III 44.5
 - General Accounting Supervisor 46.3
 - General Accounting Manager 51.3

James Palmer
The Palmer Association, Inc.
609-226-5400
jpalmer@palmerassoc.com

Aging Data

- Average Merit Increase
- Average Salary Movement

If the average merit increases for a particular job were 5%-6% and the average salary movement during the last 12 months was 4% and the salary data for the position you are reviewing is 6 months old (assume a salary of \$22,000.00 per year), what is the value of the job today? What will be the value of the position 6 months from now? And, 12 months from now?

22,000	22,740	22,880	23,346
12 mo	Jan	Jul	Dec
Now			
22,000	22,740	22,880	23,320

*Average Salary Movement
tends to trail Avg Merit
Increase by about 1½ %*

+7% per year is typical

*2% increase per six months
- compounded*

- not compounded

Meet...Lead...Lag ?

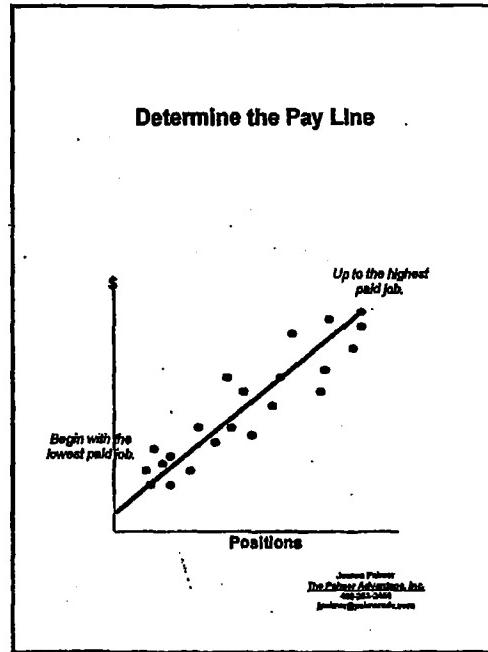
- Assuming you aged the data..



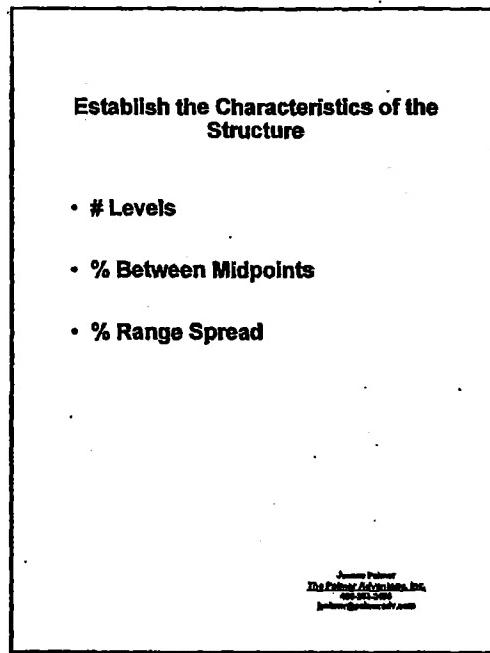
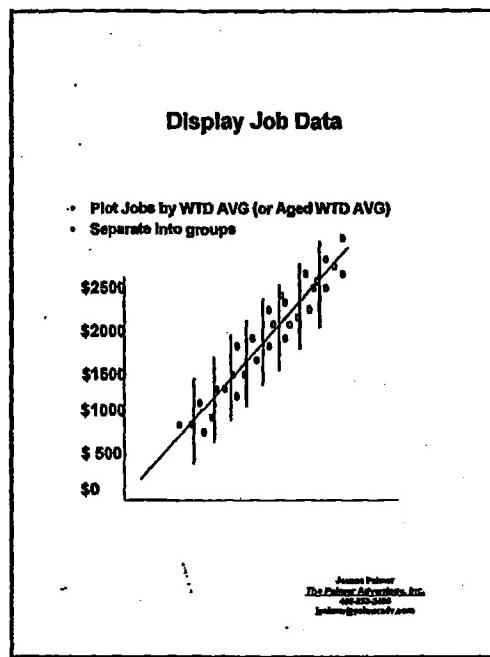
5 Steps in Designing a Salary Structure

- Determine the Pay Line
- Determine # Pay Structures Needed
- Display Job Data
- Establish Characteristics of the Structure
- Interlocking of Multiple Pay Structures (If more than 1)

James Palmer
The Palmer Assessment Inc.
609-299-0000
jpalmer@the-palmer.com



- Determine # Pay Structures Needed**
- Exempt
 - Non-exempt
 - Technical/Non-technical
 - Management
 - Functional
- James Palmer
The Palmer Advantage, Inc.
404-261-2848
jpalmer@palmeradv.com



Common Midpoint-to-Midpoint Differences

	High	Low	Ave
Non-Exempt 8-10%	2-3.5%	6-7.5%	10-12%
Exempt 10-12%	5-6%	7-9%	10-15%
Sr Management 30-50%	8%	10-25% up to 75% or even 100%	

James Palmer
The Palmer Advantage, Inc.
404-322-0400
jpalmer@palmeradv.com

Typical % Range Spreads

- Non-Exempt: Labor & Trades Union
Up to 25%
- Non-Exempt: Clerical, Technical, Para-proff Non-union
15-40%
- Exempt: 1st-level Mgmt, Admin, Professional
30-50%
- Exempt: Middle & Sr Management
40-100%

James Palmer
The Palmer Advantage, Inc.
404-322-0400
jpalmer@palmeradv.com

Union camp philosophy
is that everyone is paid
about the same for doing
the same job. Time is
more important than
performance.

Midpoint difference

Higher MID - Lower MID
Lower MID

23.2

Red circle -
at or above MAX

Green circle -
at or below MIN

Gold circle -
above MAX and
continuing to increase

Job	Minimum	Calculate the Salary Ranges			
		Q1	Q2	Q3	Q4
Gen Acctg Mgr	51.1	61.3		71.5	
Gen Acctg Buoy	38.6	46.3		54.0	
Acct II	37.1	44.5		51.9	
Acct II	38.67	46.8		54.9	
Acct I	36.4	31.7		37.4	37.0
Acct Clerk III	23.55	27.9		32.6	
Acct Clerk II	20.1	24.1		28.1	
Acct Clerk I	18.0	21.6		25.2	

James Palmer
The Palmer Companies, Inc.
609-363-2160
jpalmer@palmerco.com

40% Range Spread

MID

$100\% + \frac{1}{2} \text{the spread}$

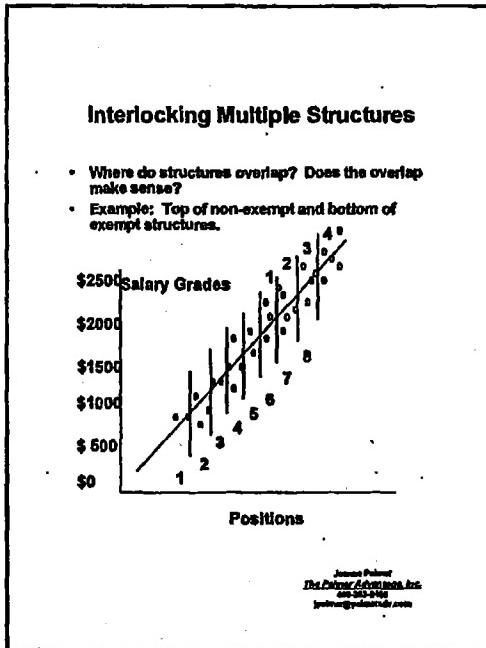
$= \frac{\text{MID}}{100\% + 20\%}$

$= \frac{\text{MID}}{1.2}$

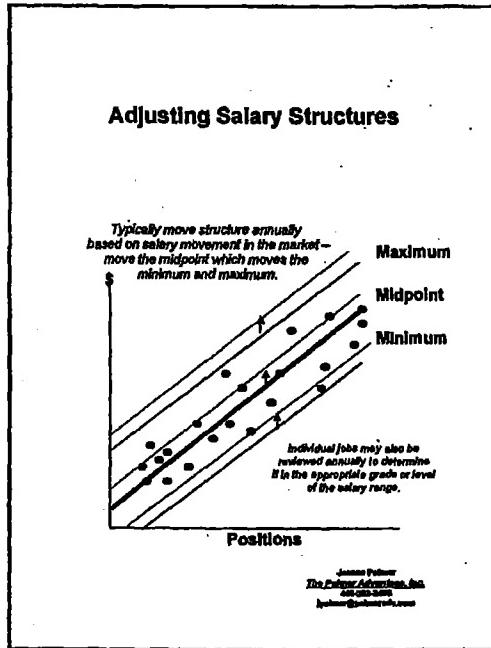
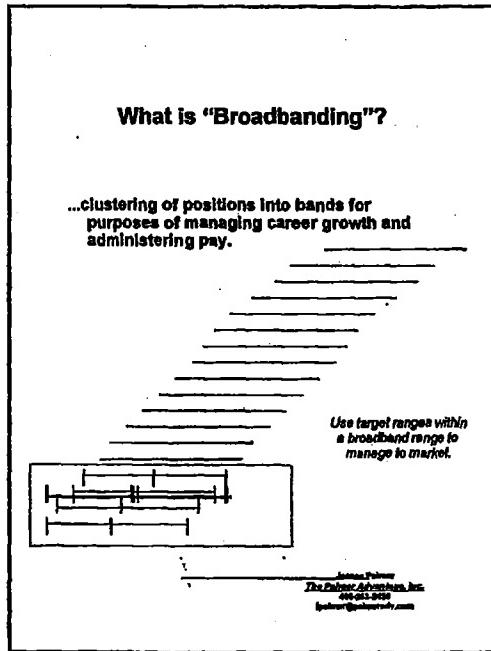
} To calculate
MIN

to calculate MAX

$\text{MIN} \cdot 1.4$



Fewer ranges that
are much broader



How do we manage compensation using salary ranges?

- Hiring
- Progression
- Promotion
- Reassignment to a lower grade position
- Transfers (lateral)
- Market Adjustments
- Geographical Moves
- Undesired Attrition

Entry level hires should come in 1st Quartile
psychological negative

James Palmer
The Palmer Adventures, Inc.
407-242-3444
jpalmer@prodigy.net.com

Merit Pay

...an adjustment to base pay that relates directly to employees' performance made only if:

- the organization can afford it
- the employee deserves it

...can be beneficial or harmful

- If difference between outstanding and marginal is too small, there is no incentive

James Palmer
The Palmer Adventures, Inc.
407-242-3444
jpalmer@prodigy.net.com

Barriers to Pay for Performance:

Somebody doesn't get it - they get the message that they are not valuable.

Intel - bottom 5% of performers get no increase - this allows more money for greater increases for top performers.

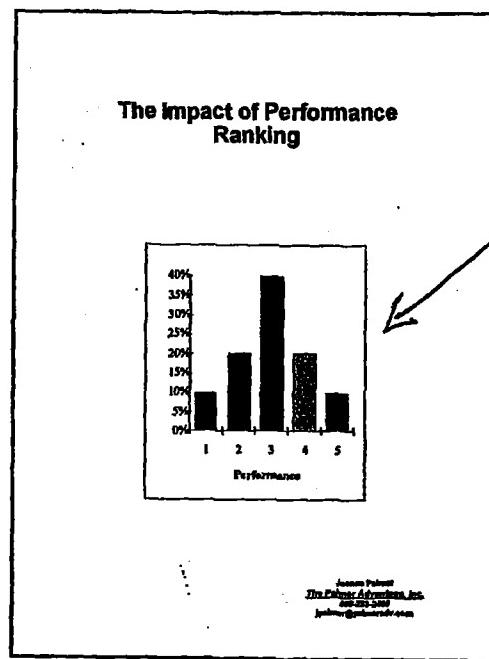
James Palmer
The Palmer Corporation, Inc.
404-256-3355
jpalmer@palmercorp.com

Merit Budgets

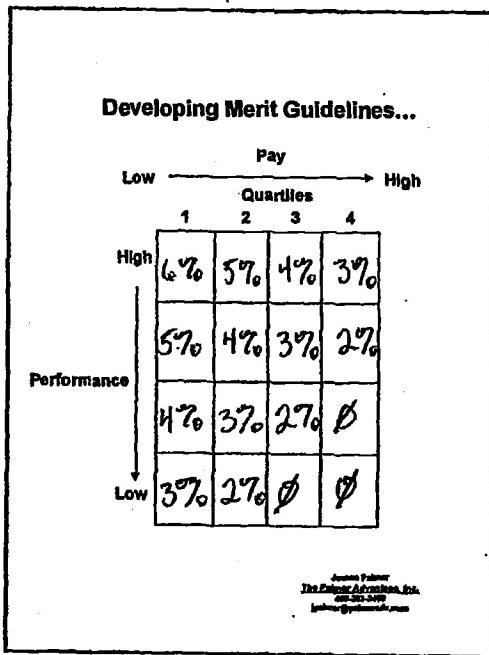
- How are they determined?
- How are they distributed?

Based on market

James Palmer
The Palmer Corporation, Inc.
404-256-3355
jpalmer@palmercorp.com



In a perfect world
Reality: it usually
skewed to the upper
end.



Lower paid ee's who perform well will be accelerated faster to get them to the MID.

Higher paid ee's are increased less to keep them from hitting the MAX.

What happens when pay doesn't mirror performance?

- Bad ee's stay
- Good ee's leave

James Palmer
The Palmer Adventures, Inc.
404.352.3454
jpalmer@palmeradventures.com

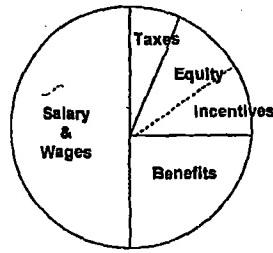
Recognizing & Paying for Performance Requires:

- Clear understanding of job requirements & job expectations
 - by those doing the rating
 - by those being rated
- Ultimate purpose is to direct efforts of employees toward achievement of organization objectives
- Pay delivery systems tie it all together
 - Evolve from company objectives
 - Allow competitiveness
 - Recognize individual contributions

James Palmer
The Palmer Adventures, Inc.
404.352.3454
jpalmer@palmeradventures.com

The Components of Total Compensation

Compensation: the process of directly or indirectly rewarding employees, on a current or deferred basis, for their performance of assigned tasks.



Typically, Total Compensation is measured and tracked as A % of Revenue. Individual Components are also tracked.

Jesse Palmer
The Palmer Advantage, Inc.
jpalmer@jpalmeradv.com

What is an Incentive?

...any form of variable compensation.

... "Any form of compensation designed to motivate (or, provide incentive for) employees to produce specified outputs or behave in a specified way, and to reward them for having done so."¹⁴

*American Compensation Association

Jesse Palmer
The Palmer Advantage, Inc.
404-314-0868
jpalmer@jpalmeradv.com

Some Types of Incentives

- **Bonus**
- **Cash Profit Sharing**
- **Recognition Awards & Spot Bonuses**
- **Commissions**
- **Long-Term**



James Palmer
The Palmer Advantage, Inc.
404-363-3444
jpalmer@palmeradv.com

Setting the Parameters – 5 Key Questions

- **Who should participate?**
- **How much should participants earn?**
- **For what performance?**
- **When should they be rewarded?**
- **How should the reward be delivered?**

James Palmer
The Palmer Advantage, Inc.
404-363-3444
jpalmer@palmeradv.com

The closer you get
the reward to the
behavior, the more
of an incentive it is.

spread out bonus to gain retention value
 - you have to watch out for earned income obligations.

Company AND individual must reach goal to get target.

Bonus

- Short-Term
 - Typically paid annually
- Often expressed as % of base salary
- Can be formal or discretionary

*Who should participate?
 How much should participants earn?
 For what performance?
 When should they be rewarded?
 How should the reward be delivered?*

James Palmer
The Palmer Advantage, Inc.
 800-582-2444
 James@PalmerAdv.com

Targets	
Exec.	50 - 100%
Mgmt.	20 - 50%
Sr. I.C.	10 - 30%
Exempt	5 - 15%

Cash Profit Sharing

- Considered a short-term incentive
- Based on company performance
- Distributed quarterly, semi-annually or annually
- Usually expressed as % of base salary or % company profits
- Usually distributed as % of earnings for the period but there are other alternatives...

*Who should participate?
 How much should participants earn?
 For what performance?
 When should they be rewarded?
 How should the reward be delivered?*

James Palmer
The Palmer Advantage, Inc.
 800-582-2444
 James@PalmerAdv.com

Exercise #3: How would you solve this business problem?

Our company is doing okay -- \$100M in Revenue with 4.6% net profit, well below average (9-11%) for our industry. We also pay in the average range for our employees -- about the 50th percentile. If we could generate better results, our executive team say they would be willing to pay more -- we simply cannot afford to do so. We already have a profit sharing plan in place and, at this point in time, we do not feel it is working very well. Our investors are not happy with our results and, as a result, our stock is performing poorly. Although we have told employees there is a problem, they are still getting profit sharing checks -- small ones that they complain about.

- communicate
- scrap profit sharing
- Who should participate?
- spot bonuses by
- How much should participants earn?
- dept.
- recognition awards
- For what performance?
- reevaluation for
- When should they be rewarded?
- company-wide bonus
- investors
- by salary

Jeanne Palmer
The Palmer Advantage, Inc.
408-253-2456
jpalmer@palmeradv.com

715.22

Usually cash
Done quickly +
tie to event

Recognition Awards & Spot Bonuses

- Recognition Awards
 - Cash
 - Stock
 - In-kind
- Spot Bonuses

*Who should participate?
How much should participants earn?
For what performance?
When should they be rewarded?
How should the reward be delivered?*

James Palmer
The Palmer Advantage, Inc.
406-253-3346
jpalmer@palmeradv.com

Employee of the month
- parking space
- trip

High value - low cost

Commissions:
Paid to employees directly responsible for generation of sales.

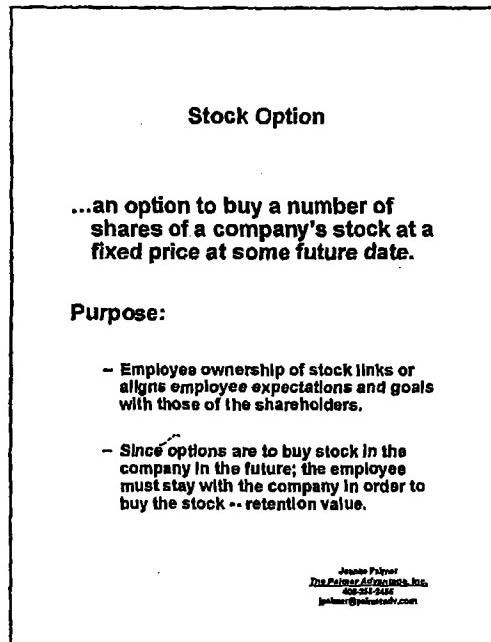
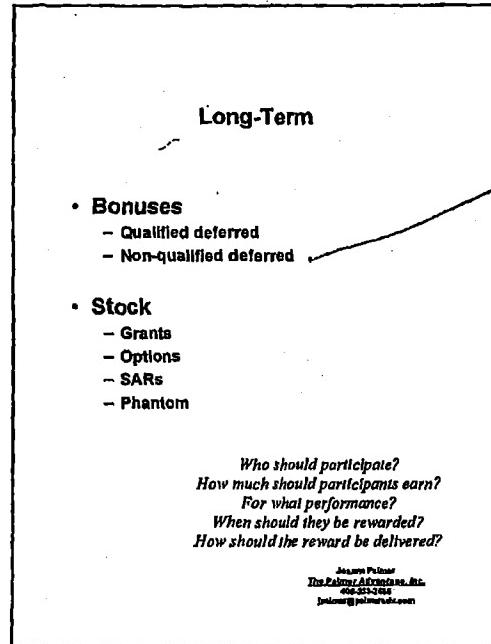
*Important Considerations:
Volume
Product Mix
New accounts/territories*

- Flat rate
- Quota
 - to 100%
 - 100%+
- Quota with threshold (minimum)
 - < 75% = 0
 - 76-100%
 - 101-125%
 - 125%+
- Kickers & Accelerators

*Who should participate?
How much should participants earn?
For what performance?
When should they be rewarded?
How should the reward be delivered?*

James Palmer
The Palmer Advantage, Inc.
406-253-3346
jpalmer@palmeradv.com

Commissions are paid to people who are directly responsible for generating revenue.



Purpose

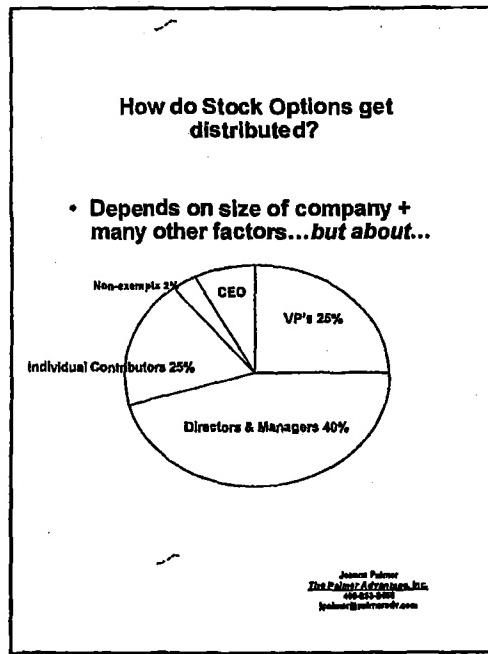
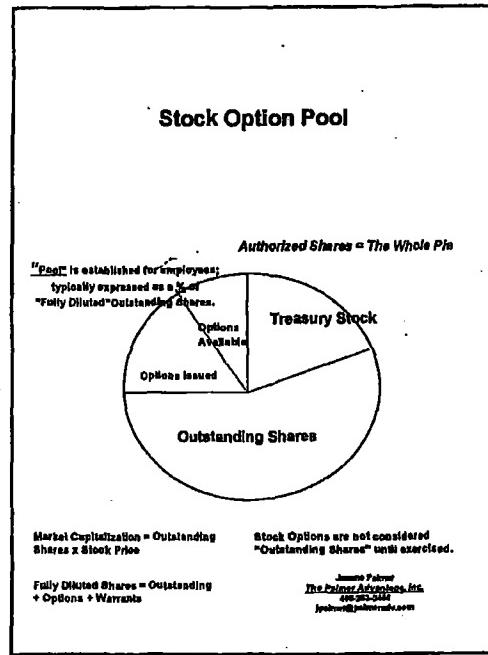
- Employee ownership of stock links or aligns employee expectations and goals with those of the shareholders.
- Since options are to buy stock in the company in the future; the employee must stay with the company in order to buy the stock -- retention value.

James Palmer
The Palmer Adventures, Inc.
jpalmer@palmeradventures.com

Private or Public

- Private: no public market for the stock < employee cannot sell.
- IPO (Initial Public Offering): the first time a company enters the public market; stock becomes liquid or salable.
- Public: stock can be sold at any time on the public market.

James Palmer
The Palmer Adventures, Inc.
406-333-3304
jpalmer@palmeradventures.com



2 Primary Types

- Non-Qualified (NQ)
- Incentive Stock Option (ISO)

Primary difference between NQ & ISO: Tax Treatment

- NQ is treated as a taxable event the day the stock is purchased. Employee owes tax upon purchase whether or not s/he sells the stock and the company can take a tax deduction for the value of the stock when the employee buys it. Can be issued to employees, consultants and members of the board of directors.
- ISO is treated as a taxable event the day the employee sells the stock. Employee can purchase and hold and not pay tax until sold. The company, therefore, cannot take a tax deduction for the value of the stock until the employee sells it. Can only be issued to employees.

Other forms of stock, less commonly used, include stock grants (SARs), restricted stock, phantom stock, etc.

James Palmer
The Palmer Advantage, Inc.
408-252-3482
jpalmer@palmeradv.com

Stock Option Agreement

- Legal document covering details such as:

- Term: typically 10 years...only if you stay with the company. If you leave, typically term ends either on the last day of employment or 90 days/3months later (depending on the plan and the agreement).
- Price
- Vesting
- Disability, death, etc.



James Palmer
The Palmer Advantage, Inc.
408-252-3482
jpalmer@palmeradv.com

Price

- Stock Options are priced at the "Fair Market Value" (FMV) on the date of the grant.
- The FMV for public stock is the price on the open market or stock exchange. The FMV for private stock is set by the Board of Directors.
- The value to the employee is that, with a bit of luck and some hard work, the shares will be worth more when the employee sells them at some future date.



James Palmer
The Palmer Advantage, Inc.
404-523-3444
jpalmer@palmeradv.com

Vesting...some future date

- "Vested" shares are those that the employee has a right to buy; "Unvested" shares they will have a right to buy at a future specified date if they stay with the company.
- Typically an employee is given a "stock option grant" upon hire. The "grant date" for new hires is typically the date of hire. It could be the date approved by the Board of Directors.
- If an employee receives additional grants after hire, the "grant date" is typically the date approved by the Board of Directors.
- "Stock Options Grants" are contingent upon approval of the Board of Directors. Most of the time this is a rubber stamp but legally only the Board of Directors can give away or sell the stock (or pieces of ownership) of the company.

James Palmer
The Palmer Advantage, Inc.
404-523-3444
jpalmer@palmeradv.com

Vesting...typical

- 4 years (occasionally 3 or 5 years); Granted 1/1/94;
- 25% vested on the first anniversary of the "grant date".

NOTE: Not always a cliff vest; some companies vest monthly from 1st day.

Granted 10,000 Shares on 1-1-94:

NOTE: 10-yr life ends 12/31/2003.

1-1-95	1-1-96	1-1-97	1-1-98
2500	2500	2500	2500

James Palmer
The Palmer Association, Inc.
408-353-3364
jpalmer@palmerassoc.com

Refresh or Evergreen

- Some companies give grants upon hire and rarely afterwards.
- Some companies give grants upon hire and based on performance or some event afterwards - discretionary.
- Some companies give grants on a regular basis to assure employees always have an adequate pool of unvested stock. This creates "walk-away value" which can make it difficult for an employee to leave the company because s/he must leave unvested stock behind.

Granted 10,000 Shares on 1-1-94; 5,000 each year thereafter:

1-1-96	1-1-95	1-1-97	1-1-98	1-1-99	6-1-00	6-1-01
2500	2500	2500	2500			
	1250	1250	1250	1250		
		1250	1250	1250		
			1250	1250		
				1250		
					1250	
						1250

James Palmer
The Palmer Association, Inc.
408-353-3364
jpalmer@palmerassoc.com

Exercise means "Buy"

- Most employees buy and sell the same day...usually can only be done in a public company.
- Some employees buy and hold stock...to meet Capital Gains tax requirements.
- If an employee leaves the company, s/he must exercise or buy the stock or lose it...typically within 90 days/3 months of leaving.
 - Private:
 - > must buy but nowhere to sell.
 - > If NQ, you may owe taxes upon buying and have nowhere to sell.
 - > sometimes, If company agrees, you can buy shares and sell some back to cover tax liability.
 - Public: can buy and sell same day.

James Palmer
The Palmer Advantage, Inc.
407-253-3464
jpalmer@palmeradv.com

Executive Compensation

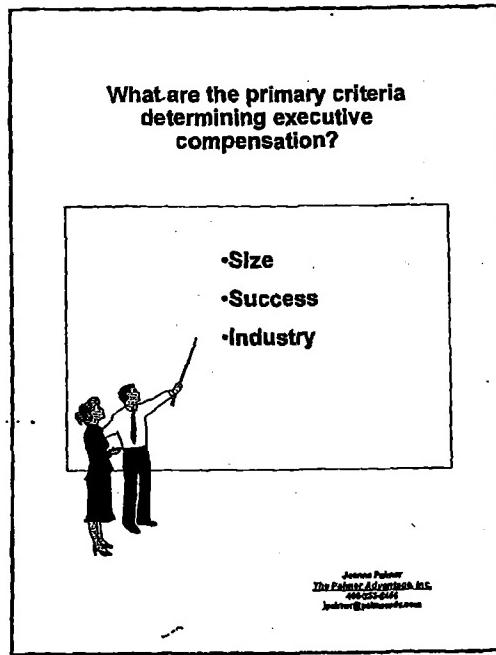
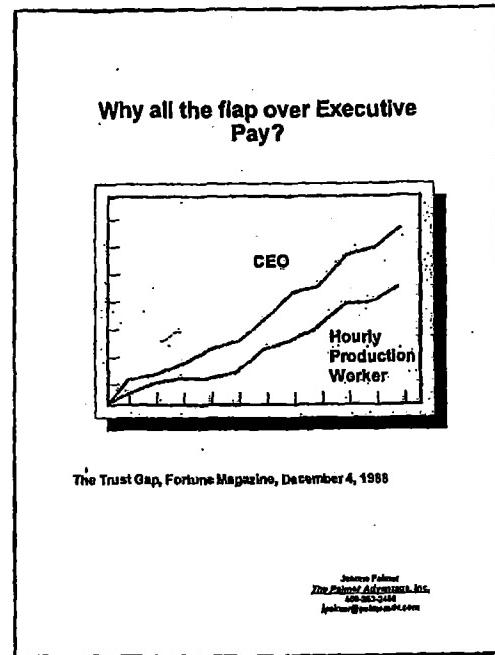
...Doing the "right" things.

Components:

- Base
- Bonus (Short-term)
- Long-term (Cash or Equity)
- Benefits
- Golden Parachutes



James Palmer
The Palmer Advantage, Inc.
407-253-3464
jpalmer@palmeradv.com



Situational Aspects

- Stage of development
- Company financial condition - Risk
- Promotion from Inside
- What's needed to attract caliber necessary
- Internal equity

James Palmer
The Palmer Advisors, Inc.
408-252-0456
jpalmer@palmeradvisors.com

Exercise: So how much money are we talking about?

Revenue: _____ Profit \$: _____ Profit %/Revenue: _____

- Base: \$
- Bonus: _____
- Other Cash: _____
- Total Cash: \$
- Equity:
 - Beneficial Ownership
 - Stock Options
 - » Vested
 - » Unvested
 - New Stock Option Grants
 - Restricted Stock
 - SARs (Stock Appreciation Rights)_____

\$

Today's Price = Grant Price x #shares = \$

James Palmer
The Palmer Advisors, Inc.
408-252-0456
jpalmer@palmeradvisors.com

Exercise: So how much money are we talking about?

Redacted

Redacted

Revenue: _____ Profit \$: _____ Profit %/Revenue: _____

- **Base:** \$ _____
- **Bonus:** \$ _____
- **Other Cash:** \$ _____
- **Total Cash:** \$ _____

- **Equity:**
 - Beneficial Ownership
 - Stock Options
 - » Vested
 - » Unvested
 - New Stock Option Grants
 - Restricted Stock
 - SARs (Stock Appreciation Rights)

Redacted

Today's Price – Grant Price x #shares = \$

Jeanne Palmer
The Palmer Advantage, Inc.
408-253-2456
jpalmer@palmeradv.com

715.33

**Lucas
Compensation Philosophy &
Practices**

Jessica Palmer
The Palmer Advantage, Inc.
404-262-3242
jpalmer@palmeradv.com

Exercise

- What to offer...

Jessica Palmer
The Palmer Advantage, Inc.
404-262-3242
jpalmer@palmeradv.com

Purpose of Project

- • Formalize current practices
- • Provide Managers with greater flexibility in rewarding employees
- • Reflect market conditions
- • Demonstrate commitment to career growth within LDL
- • Ensure equity across functions Union/Non-Union positions within company

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Creating the Program

- Created steering committee of high-level managers:
(Alan Keith, Patty Blau, Gail Currey)
- Developed Compensation Philosophy and Strategy
- Review current structure, job descriptions, and incumbents
- Utilized salary surveys to match positions to market
- Developed recommendations for new salary structure and job placements

715.36

Creating the Structure

- • Created job progression levels
- • Reviewed with managers where current positions should be placed
- • Reviewed current salaries of non-union employees
- • Created salary structure
- • Placed positions according to market, current salary and equity across functions

715.37

Job Progression Levels

- Created job progression matrix
Reflect job levels and career progression
- Entry/Intermediate/Senior/Lead
- Not all job families use all four levels

715.38

Salary Surveys

Currently use the following surveys for comparative market date:

- Radford
- SC/CHIPS
- Specialized Computer Graphics and Entertainment Industry surveys

715.39

Salary Grades

- Currently have 22 grades
Recommendation- reduce to 16 grades
- Create broader bands
- Increase grade differentials

715.40

FUNCTION: ADMINISTRATION/PRODUCTION/DIG TECHNOLOGIES

CATEGORY: MANAGEMENT

715.41

	LEVEL I – SUPERVISOR	LEVEL II – MANAGER	LEVEL III – SR. MANAGER	LEVEL IV – DIRECTOR
Scope	Receives assignments in the form of objectives with goals and process to meet goals outlined. Provides guidance to subordinates according to established policies and management guidance. Administers company policies that directly affect subordinate employees. Recommends changes to unit policies. Work is reviewed by management to measure meeting of objectives.	Receives assignments in the form of objectives and establishes goals to meet objectives. Provides guidance to subordinates to achieve goals in accordance with established policies. Establishes and recommends changes to policies which effect subordinate unit(s). Work is reviewed and measured based on meeting objectives and schedules.	Establishes operational objectives and assignments. Delegates assignments to subordinate managers. Involved in developing, modifying and executing company policies which affect immediate operation(s) and may also have company-wide effect. Objectives are reviewed by senior management to determine success of operation.	Participates with other senior management to establish strategic plans and objectives. Makes final decision(s) on administrative or operational matters and ensures operations' effective achievement of objectives.
Complexity	Works on problems of moderate scope where analysis of situation or data requires review of identifiable factors. Exercises judgment within defined procedures and policies to determine appropriate action. Acts as advisor to unit, becomes actively involved as required to meet schedules or resolve problems. May research and make recommendations regarding equipment needs and budget for operating unit.	Works on problems of diverse scope where analysis of situation or data requires evaluation of identifiable factors. Exercises judgment within generally defined practices and policies in selecting methods and techniques for obtaining solutions. Acts as advisor to subordinate(s) to meet schedules and/or resolve technical problems. Develops and administers budgets, schedules, and performance requirements.	Works on complex problems where analysis of situations or data requires an in-depth evaluation of various factors. Exercises judgment within broadly defined practices and policies in selecting methods, techniques and evaluation criteria for obtaining results. Ensures budgets, schedules, and performance requirements are met.	Works on extremely complex problems where analysis of situations or data requires an evaluation of intangible factors. Exercises judgment in developing methods, techniques and evaluation criteria for obtaining results. Ensures budgets and schedules meet corporate requirements.

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	LEVEL I - SUPERVISOR	LEVEL II - MANAGER	LEVEL III - SR. MANAGER	LEVEL IV - DIRECTOR
Supervision/ Discretion	<p>Provides immediate or general supervision over a work group or unit. Reviews, checks work and resolves problems using standard procedures.</p> <p>Erroneous decisions or failure to achieve results will cause delays in schedules.</p>	<p>Manages and coordinates the activities of a section or department with responsibility for results in terms of costs, methods and personnel.</p> <p>Erroneous decisions or failure to achieve goals results in additional costs and personnel, and serious delays in overall schedules.</p>	<p>Manages and coordinates the activities of more than one section or department through subordinate managers who exercise full supervision over their section/department in terms of costs, methods and personnel.</p> <p>Erroneous decisions will result in critical delay(s) in schedules and/or unit operations and may jeopardize overall business activities.</p>	<p>Directs and controls the activities of a functional area through several department managers with overall responsibility for planning, budgeting, implementing and maintaining costs, methods and personnel.</p> <p>Erroneous decisions will have a serious impact on the overall success of functional, divisional, or company operations.</p>
Interaction	<p>Interacts daily with subordinates, and frequently with outside customers, and functional peer groups at various management levels. Interaction normally requires the ability to gain cooperation of others, and on a limited basis conducting presentations of technical information concerning specific projects/schedules, etc.</p>	<p>Frequently interacts with subordinate supervisors, customers, and functional peer group managers. Interacts with senior management on a limited basis. Interactions normally involve matters between functional areas, other company divisions or units, or customers requiring the ability to gain cooperation. Frequently conducts presentations of technical information concerning specific projects/schedules, etc.</p>	<p>Regularly interacts with senior management or executive levels on matters concerning several functional areas, divisions, and/or customers. Requires the ability to change the thinking of or gain acceptance of others in sensitive situations.</p>	<p>Regularly interacts with executives and/or major customers. Interactions normally involve controversial situations, customer negotiations, or influencing and persuading other senior level or executive management.</p>
Typical Background	<p>Bachelors degree or equivalent experience, plus 1 – 2 years of professional experience or formal training in the duties of the position, or equivalent education and experience. Prior supervisory or managerial experience highly desirable.</p>	<p>Bachelors degree or equivalent experience, plus 2 – 4 years of related professional experience, or equivalent education and experience. Prior managerial experience required.</p>	<p>Bachelors degree or equivalent experience, plus 3 or more years of related managerial experience required.</p>	<p>Bachelors degree or equivalent experience, plus 5 or more years of increasingly responsible managerial experience required.</p>

Notes: Incorporate responsibility for specific ranges of operating budget authority based on ILM guidelines

71543

FUNCTION: ADMINISTRATION/PRODUCTION/DIG TECHNOLOGIES

CATEGORY: INDIVIDUAL CONTRIBUTOR/PROFESSIONAL

	LEVEL I - ENTRY	LEVEL II - INTERMEDIATE	LEVEL III - SENIOR	LEVEL IV SPECIALIST
Scope/Complexity	<p>Under immediate supervision and using established procedures, performs assigned tasks.</p> <p>Follows standard practices and procedures in analyzing situations or data from which answers can be readily obtained.</p> <p>Works on problems of limited scope. Work is routine and instructions are usually detailed.</p> <p>May perform some administrative duties.</p> <p>Dig Tech – <i>May assist higher level engineers or other professionals.</i></p>	<p>Under minimal supervision, performs work that is varied and that may be somewhat difficult in character. Exercises judgment within defined procedures and practices to determine appropriate action.</p> <p>Some evaluation or ingenuity is required such as drafting technical opinions to management.</p> <p>Works on problems of moderate scope where analysis of situations or data requires a review of identifiable factors.</p> <p>May perform limited administrative duties.</p> <p>Dig Tech – <i>Work typically involves responsibility for a secondary project or a part of a major project.</i></p>	<p>Under general supervision (confers with superior on unusual matters), has appreciable latitude for un-reviewed action or decision making.</p> <p>Frequently performs assignments which are broad in nature, usually requiring originality and ingenuity.</p> <p>Works on problems of diverse scope where analysis of data requires evaluation of identifiable factors. Exercises judgment within generally defined practices and policies in selecting methods and techniques for obtaining solutions.</p> <p>Typically does not perform administrative duties.</p> <p>May be assisted by Entry or Intermediate Level personnel</p>	<p>Specialist/internal expert. This is a high level position, usually not part of a job family. There is no expectation that everyone should aspire to reach this level through normal progression.</p> <p>Considered the Internal consultant in area of specialty.</p> <p>May have program management responsibility.</p>
Knowledge & Skills	<p>Knows fundamental concepts, practices and procedures of particular field of specialization.</p> <p>Develops and applies basic professional concepts while learning company policies/procedures to solve routine problems within area of specialization.</p> <p>Possesses effective written and verbal communication skills.</p>	<p>Knows and applies (uses well) fundamental concepts, practices/procedures within area of specialization.</p> <p>Uses professional concepts and company policies and procedures to solve a variety of problems.</p> <p>Possesses effective written and verbal communication skills.</p>	<p>Possesses and applies a broad knowledge of principles, practices, and procedures of area of specialization for completion of difficult assignments in imaginative and practical ways in concert with company policies and procedures</p> <p>This is typically the highest level within the job family. Progression to the next level requires highly specialized expertise.</p>	<p>Requires highly specialized expertise (considered the internal consultant in area of specialty).</p>

715.44
715.45

	LEVEL I - ENTRY	LEVEL II - INTERMEDIATE	LEVEL III - SENIOR	LEVEL IV SPECIALIST
Supervision/ Discretion	Normally receives detailed instructions on all work. Works under close supervision, using established procedures to perform assigned tasks. Usually reports to lead level or Manager	Normally receives general instructions on routine work, detailed instructions on new assignments. Works under minimal supervision. Usually reports to lead level or Manager	Normally receives no instruction on routine work, general instructions on new assignments. Works under general supervision. Usually reports to lead level or Manager	May have program management responsibility. Works toward achievement of broad objectives. Usually reports to Manager or Director
Typical Background	Bachelors degree or equivalent exp., plus 0 – 2 year of professional experience or formal training in the duties of the position, or equivalent education and experience. Bachelors + 0-2 years experience	Bachelors degree or equivalent experience, plus 2 – 5 years professional experience, or equivalent education and experience May be entry level for employee with Masters Degree (In some specializations or technologies, the experience requirement may be less.)	5 - 8 years experience in position, or equivalent education and experience Bachelors + 4-6 years experience Masters + 2-4 years experience Doctorate + 0-2 years experience (In some specializations or technologies, the experience requirement may be less.)	10+ years experience in position, or equivalent education and experience Bachelors + 10 years experience, Masters + 6 years experience Doctorate + 4-6 years experience (Experience is less important than is the required peer or supervisory review and acknowledged level of subject matter expertise.)
Job Titling Examples				

715.45

FUNCTION: DIGITAL TECHNOLOGY

CATEGORY: TECHNICIAN			
	LEVEL I - ENTRY	LEVEL II - INTERMEDIATE	LEVEL III - SENIOR
Scope/ Complexity	<p>Under close supervision, performs standardized duties and tasks. May perform more advanced functions as part of training and development.</p> <p>Resolves routine questions and problems using established procedures, and refers more complex issues to higher levels.</p>	<p>Under limited supervision, knows and applies fundamental skill sets required for duties and tasks that are frequently nonroutine using company's established procedures and policies.</p> <p>Performs routine tasks independently. Resolves most questions and problems within own area of specialization, and refers only most complex issues to higher levels.</p> <p>Applies advanced skills to the assigned position, and assists with other tasks in functional area.</p>	<p>Under general supervision, works on wide range of difficult activities and tasks using company's established procedures and policies.</p> <p>Variable type of job. Adapts procedures, processes and techniques as necessary to meet the more complex requirements of the position.</p> <p>Applies mastery of skills to the assigned position, and assists with other tasks in functional area. Serves as a resource to others in the resolution of complex problems and issues.</p> <p>Consults with higher levels on very complex problems and issues.</p>
Knowledge & Skills	<p>Acquires and applies basic skills and develops advanced skills in procedures, techniques, tools, materials and/or equipment appropriate to area of specialization such as routine equipment repair, basic PC installation, basic software applications, maintain inventories, track/log hardware, diagnose simple system problems, etc.</p> <p>In some positions, this may be an entry level position for an individual with higher knowledge/skill level while acquiring specialized industry experience and familiarity with company policies, procedures, products and culture in order to transition into area of specialization.</p>	<p>Applies advanced skills according to company policies and procedures to complete a variety of tasks in area of specialization. May adapt procedures, techniques, tools, materials and/or equipment to meet special needs.</p> <p>Ability to recognize deviation from accepted practice is required.</p> <p>In some positions, this may be an entry level position for an individual with higher knowledge/skill level while acquiring specialized industry experience and familiarity with company policies, procedures, products and culture in order to transition into area of specialization</p>	<p>Applies mastery of skills on assignments that are moderately complex in nature. Adapts procedures, processes and techniques to accomplish the requirements of the position.</p> <p>Has acquired a high degree of expertise in own area of specialization.</p>

715.40

	LEVEL I – ENTRY	LEVEL II – INTERMEDIATE	LEVEL III – SENIOR
Supervision/ Discretion	Works under direct or close supervision. Detailed instruction is provided on all tasks and work is closely checked by supervision.	Works under limited supervision. Receives general instruction on routine work, and detailed instruction on new assignments. Work is subject to supervisory review.	Works under general supervision. Relies on experience and judgment to plan and accomplish assigned tasks and goals. Work is only spot checked. May assist in orientation and training of lower level personnel.
Background	<p>Minimum of high school diploma plus relevant specialty course.</p> <p>In positions used for specialty/company orientation a relevant college degree (e.g. B.A. in Film Production) or equivalent may be required.</p> <p>0 – 2 years experience in area of specialization.</p>	<p>General knowledge equivalent to high school diploma plus two years of technical or trade school training.</p> <p>In positions used for specialty/company orientation a relevant college degree (e.g. B.A. in Film Production) or equivalent may be required.</p> <p>2 – 4 years experience in area of specialization.</p>	<p>General knowledge equivalent to two years of college, plus specialty training. College degree preferred.</p> <p>5 or more years of experience in area of specialization.</p>

715.47

FUNCTION: DIGITAL TECHNOLOGY**CATEGORY: TECHNICIAN**

LEVEL IV - LEAD	
Scope/Complexity	<p>Under general supervision, provides guidance and direction to small group of task-oriented employees in terms of scheduling assignments and resolving a wide range of problems and issues.</p> <p>Works on assignments equivalent to the senior level in job family. Much or most of time may be spent performing tasks of the type as the work group; however, primary focus is on immediate direction to the work group, assigning and checking their work at intervals. Plans and assigns personnel for given assignments or tasks.</p> <p>No responsibility for initiating employment and termination decisions, layoffs, promotions, salary increases or other personnel activities normally associated with supervisory status.</p>
Knowledge & Skills	<p>Applies advanced skills of the position in a lead role. Adapts procedures, processes and techniques to accomplish requirements of the position.</p> <p>Applies leadership skills to direct and prioritize group activities. Provides guidance to other non-exempt personnel in terms of training, problem solving, and scheduling work assignments.</p> <p>Must have excellent verbal and written communication skills.</p>

715.48
715.48

LEVEL IV-LEAD	
Supervision/ Discretion	Provides leadership and direction to other employees in a work group, assigning and checking work at intervals. No responsibility for hiring/firing/layoffs/promotion-type decisions. May provide feedback to supervision/management. Relies on experience and judgment to plan and accomplish assigned tasks and goals while providing guidance to other employees to achieve tasks according to established procedures and policies. Reviews progress with supervision/management.
Background	Responsible for orientation and training of subordinate employees. Typically 2 or more years in area of specialization. General knowledge equivalent to two or more years of college or equivalent to senior level of group supervised.

71549

FUNCTION: ADMINISTRATION/PRODUCTION/DIG TECHNOLOGIES**CATEGORY: ADMINISTRATIVE SUPPORT**

	LEVEL I - ENTRY	LEVEL II - INTERMEDIATE	LEVEL III - SENIOR
Scope/Complexity	<p>Under close supervision, performs routine/repetitive tasks with standardized procedures in place.</p> <p>Must be able to understand and follow written and/or verbal directions for completing basic tasks within assigned functional area. Tasks may consist of compiling simple data, running errands, posting minor records, filing, answering phones, making copies, etc. May operate general business machines such as copier, fax, personal computer keyboard, etc. Guidance is readily available from higher level staff members.</p> <p>Resolves routine questions and problems, makes minor decisions according to established procedure and refers more advanced questions/problems to higher levels.</p>	<p>Under limited supervision, knows and applies fundamental skill sets required for assigned position using established procedures and policies.</p> <p>Performs routine tasks independently resolving most questions and problems pertaining to own area of specialization.</p> <p>Works on assignments that are routine and non-routine, resolving most questions and problems independently, referring more complex issues to higher levels.</p> <p>May adapt procedures, processes and techniques to meet the more complex requirements of the position. Applies some advanced skills to the assigned position, and assists with other tasks in functional area.</p> <p>Resolves most issues and refers complex questions to higher levels.</p>	<p>Under general supervision, works on wide range of difficult activities and tasks using established procedures and policies.</p> <p>Adapts procedures, processes and techniques to meet the more complex requirements of the position. Applies advanced skills to the assigned position, and assists with other tasks in functional area.</p> <p>Serves as a resource to others in the department.</p> <p>Consults with higher levels on very complex problems and issues.</p>

715.50

	LEVEL I - ENTRY	LEVEL II - INTERMEDIATE	LEVEL III - SENIOR
Knowledge & Skills	<p>Acquires and applies basic skills necessary to perform tasks within established company policies and procedures. Ability to listen carefully and follow directions. Basic reading, writing and mathematical ability required equivalent to those obtained from completion of high school or commensurate experience. Basic ability to operate personal computer.</p> <p>In some positions, this may be an entry level position for an individual with higher knowledge/skill level while acquiring specialized industry experience and familiarity with company policies, procedures, products and culture in order to transition into area of specialization.</p>	<p>Applies basic job skills and develops advanced skills to perform a variety of tasks in area of specialization and within company policies and procedures. Ability to recognize deviation from accepted practice is required.</p> <p>In some positions, this may be an entry level position for an individual with higher knowledge/skill level while acquiring specialized industry experience and familiarity with company policies, procedures, products and culture in order to transition into area of specialization</p>	<p>Applies advanced skills on assignments that are moderately complex in nature. Adapts procedures, processes and techniques to accomplish the requirements of the position. Has acquired a high degree of expertise in own area of specialization.</p>
Supervision/Discretion	<p>Works under direct or close supervision</p> <p>Detailed instruction is provided on all tasks and work is closely checked by supervision.</p>	<p>Works under limited supervision</p> <p>Receives general instruction on routine work, and detailed instruction on new assignments.</p>	<p>Works under general supervision.</p> <p>Relies on experience and judgment to plan and accomplish assigned tasks and goals.</p> <p>May assist in orientation and training of lower level personnel.</p>
Typical Background	<p>Less than 2 years related experience.</p> <p>Minimum of high school diploma.</p> <p>In positions used for industry/company orientation a college degree (i.e. BA in Film Production) or equivalent may be required.</p>	<p>2 - 4 years related experience.</p> <p>General knowledge equivalent to high school diploma plus two years of technical or trade school training.</p> <p>In positions used for industry/company orientation a college degree (i.e. BA in Film Production) or equivalent may be required.</p>	<p>4 - 5 or more years of related experience.</p> <p>General knowledge equivalent to two years of college. College degree preferred.</p>

715.51

FUNCTION: ADMINISTRATION/PRODUCTION/DIG TECHNOLOGIES**CATEGORY: ADMINISTRATIVE SUPPORT**

LEVEL IV - LEAD	
Scope/Complexity	<p>Under general supervision, provides guidance and direction to small group of task-oriented employees in terms of scheduling assignments and resolving a wide range of problems and issues.</p> <p>Works on assignments equivalent to the senior level in job family. Much or most of time may be spent performing tasks of the type as the work group; however, primary focus is on immediate direction to the work group, assigning and checking their work at intervals. Plans and assigns personnel for given assignments or tasks.</p> <p>No responsibility for initiating employment and termination decisions, layoffs, promotions, salary increases or other personnel activities normally associated with supervisory status.</p>
Knowledge & Skills	<p>Applies advanced skills of the position in a lead role. Adapts procedures, processes and techniques to accomplish requirements of the position.</p> <p>Applies leadership skills to direct and prioritize group activities. Provides guidance to other non-exempt personnel in terms of training, problem solving, and scheduling work assignments.</p> <p>Must have excellent verbal and written communication skills.</p>

715.52

LEVEL IV - LEAD	
Supervision/ Discretion	Provides leadership and direction to other employees in a work group, assigning and checking work at intervals. No responsibility for hiring/firing/layoffs/promotion-type decisions. May provide feedback to supervision/management. Relies on experience and judgment to plan and accomplish assigned tasks and goals while providing guidance to other employees to achieve tasks according to established procedures and policies. Reviews progress with supervision/management. Responsible for orientation and training of subordinate employees.
Background	Typically 2 or more years in area of specialization. General knowledge equivalent to two or more years of college, or equivalent to senior level of group supervised.

INDUSTRIAL LIGHT + MAGIC COMPENSATION PHILOSOPHY

OVERALL COMPENSATION PHILOSOPHY

Our overall compensation philosophy is to attract and retain top notch and developing talent by combining cash compensation and career opportunity within a highly creative and special working environment. We are committed to building and motivating a team of effective employees who share our values, high standards and integrity. Our goal is to instill awareness, understanding and value to all levels of employees regarding their total compensation package (which includes workplace opportunities, Company provided benefits, as well as pay), while balancing the need to operate within a competitive market pricing structure.

- Our total compensation and benefits package is a balance of opportunity for individual advancement and growth of knowledge, skills and abilities as well as direct pay.
- We offer challenges, opportunities, rewards, and personal development in an informal, apolitical, fast-paced, environment.
- We often recruit unproven talent at rates somewhat below market who progress to average market pay level as we groom and mold their expertise, providing growth opportunities within the organization.
- At times the market requires that we identify and respond to external demand pressures for "hot jobs" that are critical to the success of the organization, paying recruitment/retention rates at or above market.
- We seek to maintain overall parity with Union scale for similar non-union positions, providing some non-direct cash offsets (variable pay, special recognition programs, training and development opportunities, benefits and perquisites).
- We acknowledge an extremely competitive labor market for technology positions in a specialty area where new skill sets are constantly required to keep pace with rapidly evolving technology, and will require a more aggressive compensation package for identified positions.
- Exceptional performance and productivity is rewarded through a combination of efforts including competitive pay levels, opportunities for advancement and/or short-term incentives.

715.53

INDUSTRIAL LIGHT + MAGIC COMPENSATION PHILOSOPHY

INCENTIVES

Short-term incentives (incentive plans of a year or less in duration) will be used to augment the base compensation program. Lucas Digital, Ltd., LLC will focus on three types of Short-term incentive plans.

The first plan is designed to reward successful completion of divisional and company goals on an annual basis. Bonuses will be determined after assessing divisional and overall company performance. If the Company meets less than 85% of its goals for the year, no bonus awards will be paid out for the year.

The second plan is an annual plan for Senior Managers as well as identified key contributors (including Managers/Producers) based on a combination of overall company performance and attainment of financial and non-financial objectives. For these key contributors, this incentive-based pay is intended to focus on key objectives driving the organization.

The third type of Short-term incentive plan is at the discretion of Senior Management to reward exceptional performance at the staff levels.

- Short-term incentives will be used to reward employees for sustained high levels of performance for the purpose of retaining valuable talent.
- Incentives may be paid on the basis of individual or team efforts.
- Incentives may also be non-monetary rewards that reflect the excellent performance of an individual/team. These non-monetary rewards need to be special and seen as a unique recognition award. Non-monetary awards require Senior Management approval and need to be part of the manager's operating budget.

715.54

715.55

Lucas Digital Ltd.					
2000 Salary Ranges					
4/00 - 3/01					
(hourly rates based on a 40 hr week)					

Job Grading

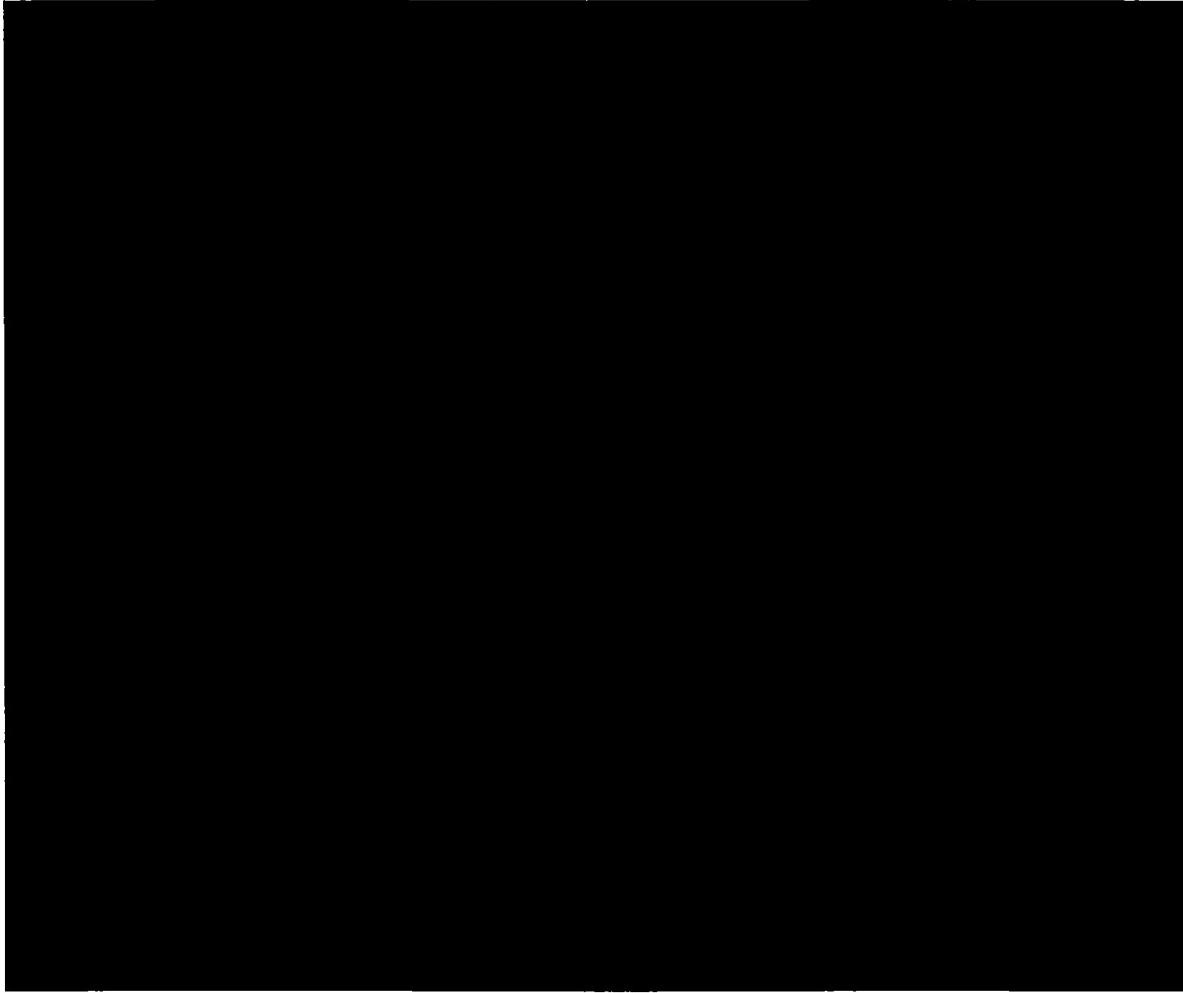
- Start with Job Description
- Refine/Clarify Description
- Determine FLSA Status – Exempt/NonExempt
- Job Match to Salary Survey Data
- Internal Equity/Factors

715.56

First Draft

Lucas Digital Limited, LLC
Job Description

Title: Helpdesk Frontline Support Technician – Level I
Date: November 4, 2000
Division: Industrial Light + Magic
Department: Production Engineering
Status: Non-Exempt, Non-Union, 45 hrs/wk Job Code: 874-11
Reports To: Helpdesk Manager
Direct Reports: None

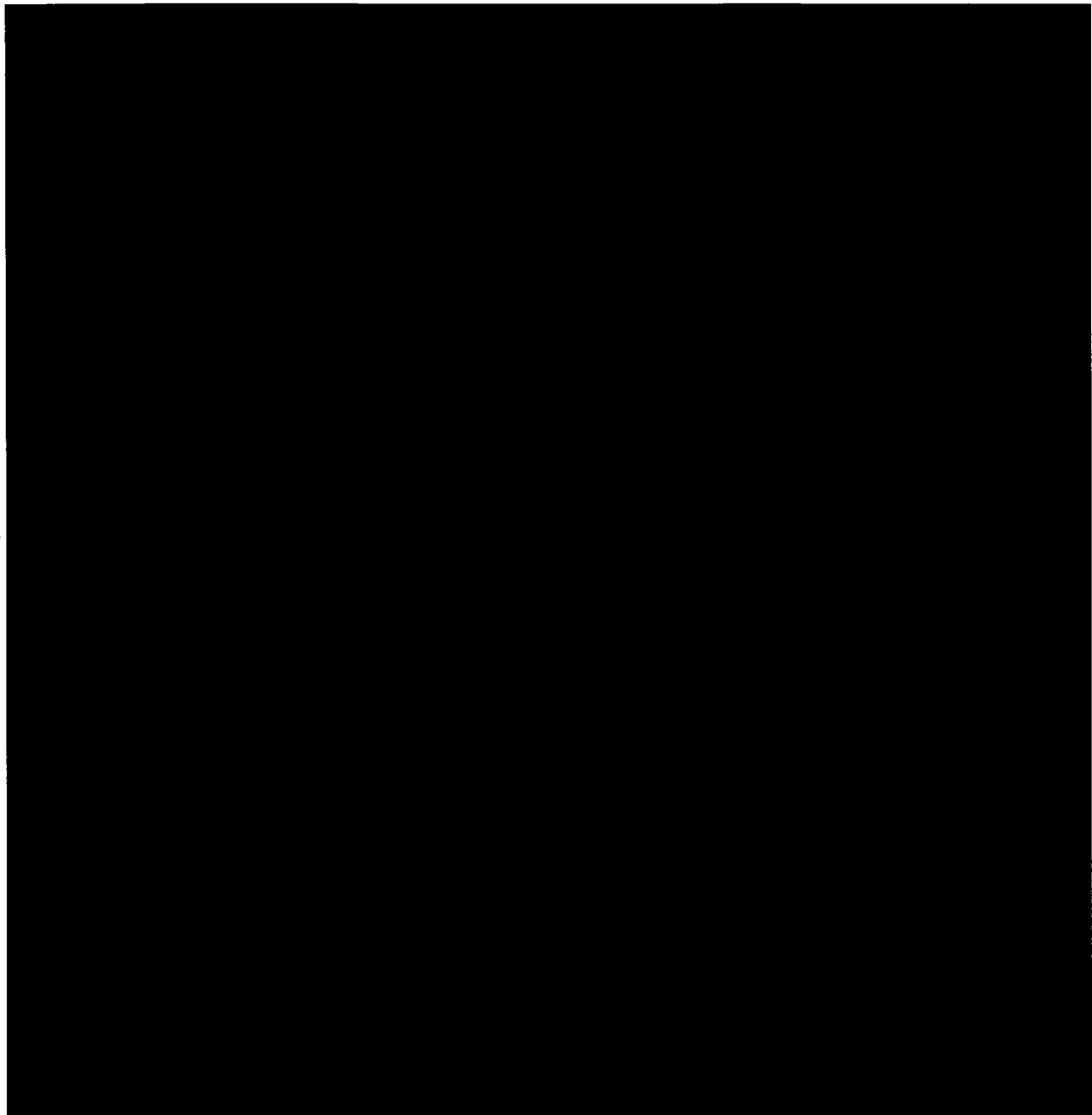


715.57

Final Draft

Lucas Digital Limited, LLC
Job Description

Title: Helpdesk Frontline Support Technician – Level I
Date: November 4, 2000
Division: Industrial Light + Magic
Department: Production Engineering
Status: Non-Exempt, Non-Union, 45 hrs/wk Job Code: 874-04
Reports To: Helpdesk Manager
Direct Reports: None



715.58

Review/Approvals:

Manager Name

Signature

Date

Human Resources

Signature

Date

Employee

Signature

Date

715.59

Salary Comparison Worksheet

Employee: _____

Position: _____

Department: _____

Manager: _____

Date of Hire: _____

Current Salary: _____

Current Grade: _____ Min _____ Mid _____ Max _____

External Sources:

Source: _____ Date: _____

Position: _____

Level: _____

Source: _____ Date: _____

Position: _____

Level: _____

715.60

Internal Comparison: _____

Other Relevant Info: _____

Recommended Salary Grade: _____

Prepared By: _____ Date: _____

715.61

**Lucas Digital Limited
Job Description**

Radford - Generic 4

Title: Administrative Assistant - Department Assistant
Date: November 22, 2000
Division: Industrial Light & Magic
Department: Creature Development
Status: Non-Exempt, Non-Union, 50 hours/week Job Code: 858 -? 4
Reports To: Manager Creature Development
Direct Reports: None



(continued)

715.62



Review/Approvals

Name _____

Manager _____

Date _____

Name _____

Human Resources _____

Date _____

Employee _____

Signature _____

Date _____

715,63

RBSS

**RADFORD BENCHMARK SALARY SURVEY
JOB DESCRIPTION**



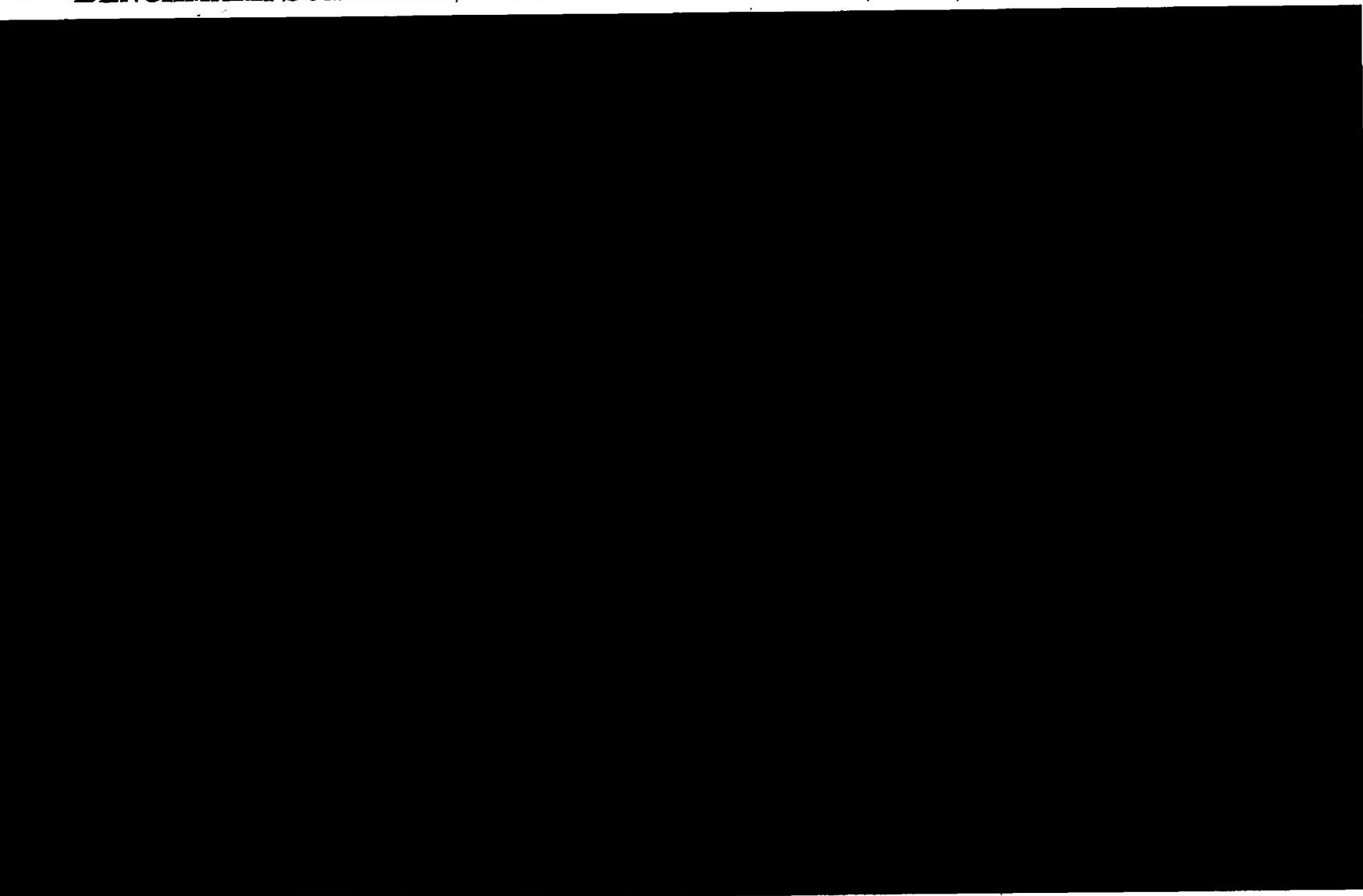
RADFORD ASSOCIATES/A&ACG

9901 - 9904

715.64

BENCHMARK SUMMARIES - NORTHERN CALIFORNIA

915.65



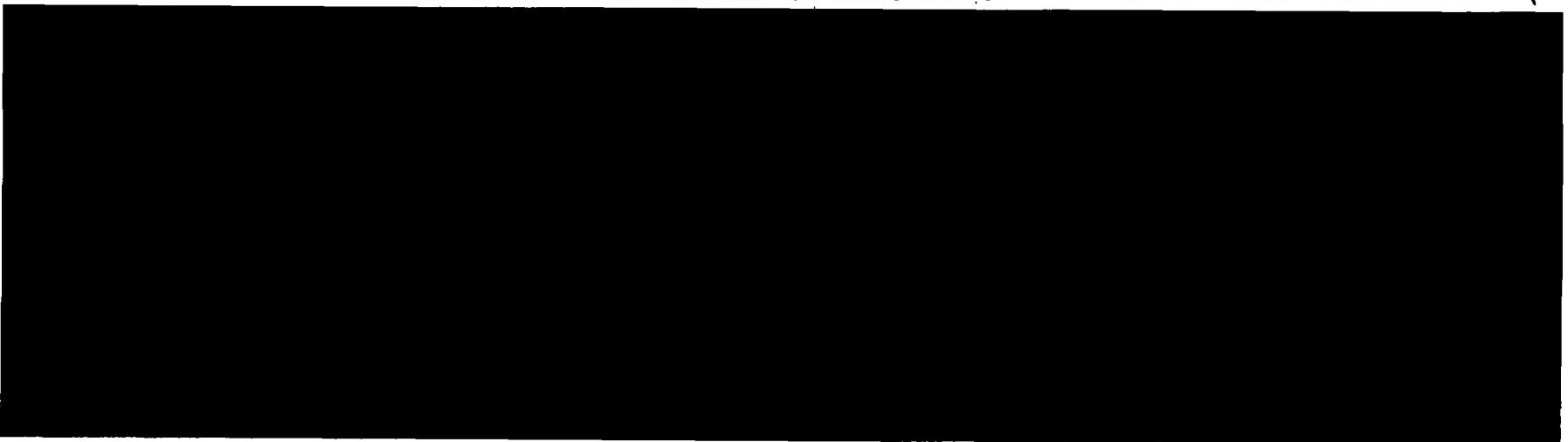
AON CONSULTING / RADFORD DIVISION

C-37

1999 RADFORD BENCHMARK SALARY SURVEY

715.66

BENCHMARK SUMMARIES - NORTHERN CALIFORNIA



Offer Worksheet – Exercise #1Candidate: Mary JonesPosition: Accounting Manager

Level/Grade: _____

Reporting to: CFO**Current Compensation:**

Base Salary

\$65,400.00
Due for Review in 2 months

Bonus

10%/yr

Other

Total Compensation:

\$71,940.00

Expectations:

Current Stock Options:

Shares: 10,000
Price: \$20/share - FMV \$15/share
Vested/Unvested: 5,000/5,000

Shares: _____

Level/Grade Information:

Salary Range

Min—Mid—Max
\$55,000 - \$70,000 - \$85,000

Bonus Range

0%

Other

401k Match =
\$1,250.00

Offer Being Recommended:

Base Salary

Bonus

Other

Total Compensation

--

Internal Equity Issues/Comments:

--

Next Review Cycle/Impact:

--

715.67

Offer Worksheet – Exercise #2Candidate: Joe TechiePosition: Web Developer

Level/Grade: _____

Reporting to: _____

Current Compensation:

Base Salary

\$60,000 Due for Review in 2 months
5%/yr
401K Match = \$1,500/yr
\$64,500

Total Compensation:**Expectations:**

Current Stock Options:

Shares: 1,000
 Price: \$20/share FMV: \$35/share
 # Vested/Unvested: 250/750

He would have to walk away from \$11,000 worth of unvested stock

Level/Grade Information:

Salary Range

Min	Mid	Max
\$45,000-\$60,000-\$75,000		

Bonus Range

Discretionary

Other

Offer Being Recommended:

Base Salary

Bonus

Other

Total Compensation

Internal Equity Issues/Comments:

Next Review Cycle/Impact:

715.68

Offer Worksheet – Exercise #3Candidate: Bob SmithPosition: Animator Level/Grade: _____

Reporting to: _____

Current Compensation:

Base Salary

\$70,000

Bonus

10%/yr

Other

\$10,000.00 Retention
Bonus payable in 3 months**Total Compensation:**

\$77,000

Expectations:

Current Stock Options:# Shares: 2,000
Price: \$20/share FMV: \$12/share
Vested/Unvested: 500/1,500

Shares: _____

Level/Grade Information:

Salary Range

Min—Mid—Max
\$55,000-\$70,000-\$85,000

Bonus Range

0

Other

Offer Being Recommended:

Base Salary

Bonus

Other

Total Compensation**Internal Equity Issues/Comments:**

Bob = \$60,000; Mary = \$58,000; Roy = \$65,000

Next Review Cycle/Impact:

715.69

Offer Worksheet – Exercise

Candidate: _____

Position: _____

Level/Grade: _____

Reporting to: _____

Current Compensation:

Base Salary

Bonus

Other

Total Compensation:**Expectations:**

Current Stock Options:

Shares: _____

Level/Grade Information:

Salary Range

Min-----Mid-----Max

Bonus Range

Other

Offer Being Recommended:

Base Salary

Bonus

Other

Total Compensation

Internal Equity Issues/Comments:

Next Review Cycle/Impact:

715.70